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THE MAGAZINE OF THE NATIONAL ASSOCIATION OF HOME BUILDERS INCORPORATING HOUSING MAGAZINE
APRIL 1983

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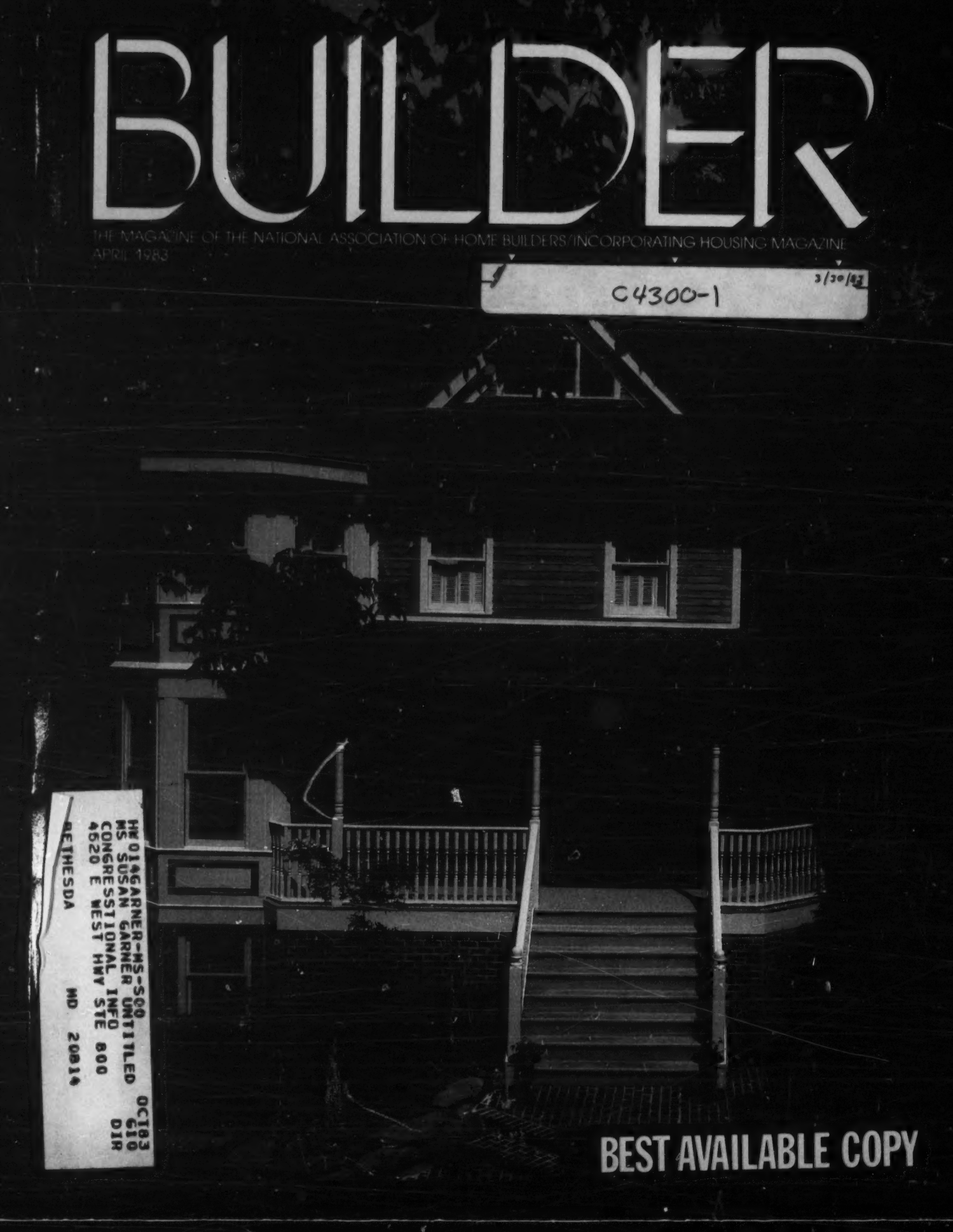

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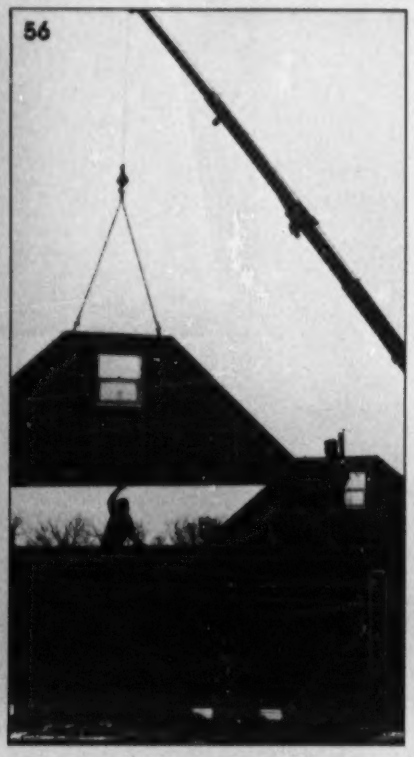


44 SMALL SITES
At the same time everyone's talking about building smaller houses, some builders are discovering that smaller sites—those no more than a few acres—can have big appeal, especially with affluent buyers.
(Cover: Victoriana, Washington, D.C. Photo: William Mills)

56 FACTORY-BUILT
There's been so much talk about factory-built housing being the answer to housing affordability, BUILDER and Owens-Corning Fiberglas convened a round table on the subject. The consensus: Factory-built housing isn't a panacea, but it will play a major role, provided manufacturers can build better-designed, more marketable units.

70 GROUND BREAKERS
Converting old, out-of-use schools to housing really isn't a new idea, particularly in the Northeast. But Gillen Development Corp. took a new approach to a school-to-housing project in Northampton, Mass., and the results deserve high marks.

MAKING RENTALS WORK

Michael J. Amenta
National real estate partner, Laventhol & Horwath public accountants. **Michael Plummer**, real estate consultant in the firm's Miami office, was co-author of this column.

One of the greatest challenges facing today's housing industry is the rapidly growing need for rental units. While many middle and upper-income households were opting for homeownership in the 1970s, escalating house prices and high interest rates forced others to look elsewhere for housing. Many of these "displaced" buyers turned to the apartment market, helping to push vacancies to a new postwar low. Although demand for rentals is still on a pronounced upswing, the supply of these units remains woefully inadequate due to sharply curtailed multifamily construction and the conversion of many existing apartments to condominiums.

The problem is that relatively few rental developments pencil out. Indeed, only exceptional projects are able to charge rents high enough to offset rising land, construction, financing and operating costs and provide developers with an acceptable return. Simply put, production of conventionally financed rentals isn't economically feasible in a market that features high interest rates and less than luxury-level rents.

One approach that more and more developers are taking to make rentals work is to fund them with tax-exempt mortgage revenue bonds (MRBs).

Contrary to popular belief, tax-exempt financing for housing is not a recent innovation. The first use of MRBs was during the 1920s in California when general obligation bonds were issued to fund home loans for veterans. Since then, state housing finance agencies (HFAs) have been the major providers of tax-exempt funds for housing.

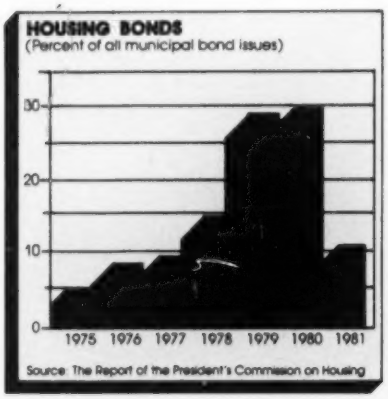
Typically, HFAs use the bonds to raise money for originating or purchasing mortgages or to finance programs that involve below-market rate financing for private mortgage lending institutions, commonly referred to as loan-to-lenders programs.

The rapid growth in use of MRBs was slowed by the Mortgage Subsidy Bond Act of 1980, which set limits on the amount of tax-exempt financing of housing in any state. And recent regulation changes proposed by the Internal Revenue Service further clouded the picture. New rules covering the type of rental units eligible for MRB funding were worded so vaguely that many housing finance authorities were left wondering if particular projects qualified for tax-exempt status. The regulations now have been clarified and, despite some added restraints, bond issues are back in business.

To use MRBs, rental housing units must remain as rentals for 10 years or half the life of the obligation, whichever is longer. This eliminates the possibility of converting a project to condominiums and collecting a return on the appreciation of the unit before 10 years. The IRS also requires that low and moderate-income families occupy at least 20 percent of the units for the same 10-year period.

Florida HFAs have already jumped on the MRB bandwagon. A $25 million loan-to-lender program launched in Palm Beach County is currently offering 10⅞ percent construction and permanent financing to developers of new rental housing.

Interestingly, the deal has been tiered so that 20 percent of the units must be rented to persons and families with low to moderate income not exceeding 80 percent of the median income established for the area. The remaining units are rented to persons and families with incomes not exceeding 150 percent of the area's median income.



In Clay County, Fla., an $11 million bond issue structured for multifamily rentals has provided construction and permanent financing at 13.2 percent. Faced with the new 10-year conversion rule, local builders and developers offered four-plex rental units as a form of real estate tax shelter. Projecting a negative cash flow in early years, the structures were marketed to investors in the "greater than 40 percent" tax bracket. While many of the owners have hired a management firm to run their units, a number of others are doing the managing themselves. Since all the units were rented to low or moderate-income families, city officials also achieved their objective of providing housing to the public.

The net effect is the same for both of these MRB issues. Lower interest rates to the developer yield not only sorely needed rental units, but units that are affordable as well. What's more, the multifamily bond issues are a lot less complex than single-family MRBs and can, therefore, be quickly brought to market. Use of MRBs is, in short, an approach that works equally well for multifamily developers and would-be homeowners who must find shelter in a tight rental market.

For a free subscription to Laventhol & Horwath's quarterly real estate newsletter, write to Michael J. Amenta, Laventhol & Horwath, 919 Third Avenue, New York, N.Y. 10022.

TAX EXEMPT BONDS FOR HOUSING
(amounts in billions of dollars)

Period	Total Housing Bonds	Veterans' Housing G.O. Bonds	Single-family Revenue Bonds	Multi-family Revenue Bonds
1975	$ 1.5	$0.6		$0.9
1976	2.7	0.6	0.7	1.4
1977	4.4	0.6	1.0	2.8
1978	7.0	1.2	3.4	2.4
1979	12.0	1.6	7.8	2.6
1980	14.0	1.3	10.5	2.2
1981	5.5	0.9	3.5	1.1

Source: The Report of the President's Commission on Housing

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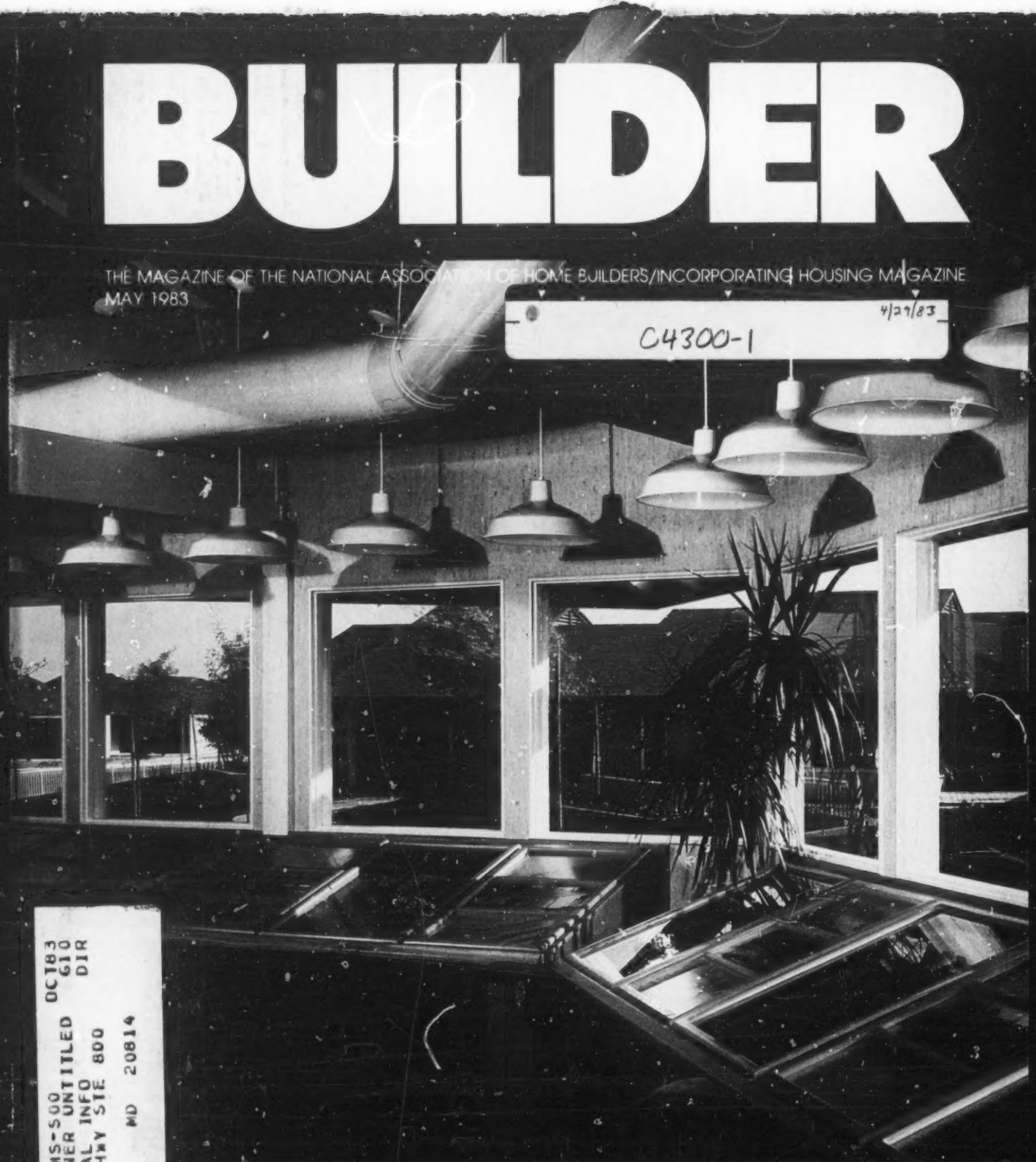

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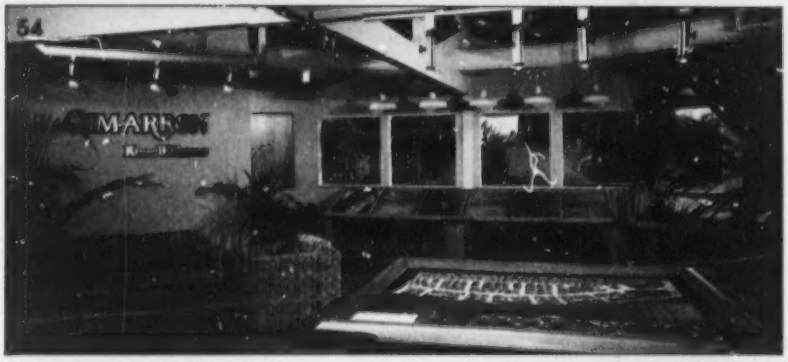
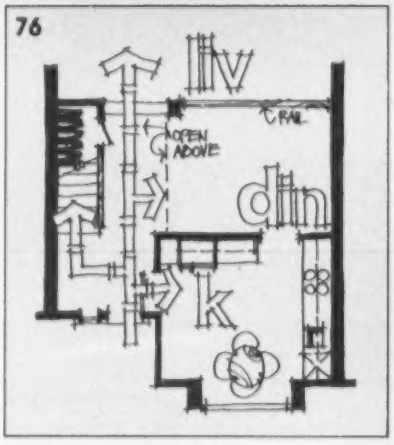
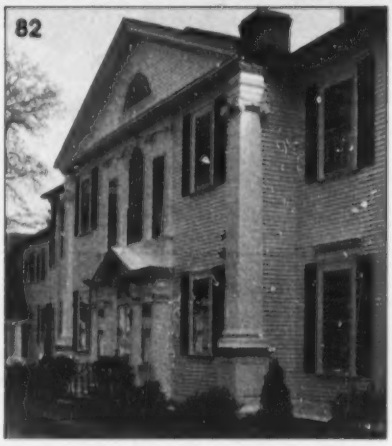






54 BEST SELLERS
Five of them, in fact, are featured in this special 22-page marketing report. And all five projects have more than made headway, they've blasted out of the recession and racked up hundreds of sales in the last few months.
(Cover: Cimarron, Phoenix. Photo: Leland Y. Lee)

76 THINK SMALL
As houses become smaller, there's less room for everything, including hallways. So this second part of a four-part series on how to down-size housing explains how to develop floor plans with efficient circulation patterns. Prepared with Bill Devereaux, Berkus Group Architects.

82 GROUND BREAKERS
Almost every town has a white elephant. That is, an old mansion going to seed. Brookline, Mass., had two, until Macomber Development Associates restored them and built new housing on the estate grounds.

NEWS

ECONOMY

ECONOMISTS BOOST 1983 STARTS FORECAST

The housing market has turned so quickly that most economists are now predicting starts will range from 1.46 million to 1.64 million units this year—up at least 100,000 from forecasts made last fall.

The brighter outlook is attributed to falling interest rates, a lower than expected inflation rate and an improved forecast for economic growth.

But none of the six forecasters interviewed believes that the surprisingly high 1.7 million annual starts rate recorded in January and February can be sustained. Most said those figures were exaggerated by seasonal factors acting on a very low starts base.

All the forecasts call for starts to decline somewhat in the second quarter before resuming their climb.

NAHB's forecast is one of the most conservative at 1.46 million starts: 996,000 single-family units and 461,000 multifamily. That would be a 38 percent increase compared with the 1.06 million units started in 1982.

Under NAHB's forecast, starts will fall from an annual rate of 1.68 million in the first quarter to 1.35 million in the second quarter and then rise to 1.36 million in the third quarter, finishing the year at 1.51 million.

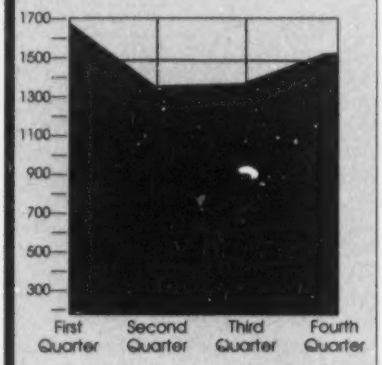
The forecast assumes that by year-end conventional mortgage rates will decline to 12 percent and the FHA-VA rate will be down to 11 or 11.5 percent. Short-term rates are expected to bottom out at about 7 percent by fall with the prime rate dropping to nearly 9 percent by year-end.

NAHB'S 1983 HOUSING STARTS FORECAST BY REGION
(annual rates, thousands of units)

	Total	Single-family	Multi-family
Northeast	161	117	44
North Central	187	126	61
South	807	566	241
West	304	188	116

Source: NAHB Economics Division

NAHB'S 1983 HOUSING STARTS FORECAST BY QUARTER
(annual rates, thousands of units)



Source: NAHB Economics Division

"We haven't changed our interest rate forecast much since last fall," said Robert Sheehan, staff vice president of the NAHB economics division. "The biggest change that led us to increase the forecast was in the inflation rate."

NAHB expects the inflation rate this year to be 3.5 percent, down from 5.5 percent forecast by NAHB last fall. NAHB also predicts stronger, though still modest, economic growth—a 3 to 3.5 percent increase in GNP for the year compared with 2.2 percent growth forecast last fall.

One uncertainty, Sheehan said, is how much the rental market will pick up. "There is a lot of institutional money looking for a home," he said, and the 1981 tax act substantially increased depreciation benefits for investors in rental housing. But high unemployment and overbuilding in some markets, among them Texas, could restrain rental starts.

Looking beyond 1983, NAHB forecasts 1.72 million starts in 1984—if the federal deficit can be reduced from its current $210 billion level to $160-$180 billion next year.

Other 1983 starts forecasts range from a high of 1.64 million to a low of 1.3 million.

Wharton Econometrics, an international economic forecasting and consulting company in Philadelphia, came in with the most glowing forecast—1.64 million starts (1.08 million single-family, 560,000 multifamily). Wharton is the most optimistic primarily because it assumes lower interest rates and higher economic growth than the other forecasters.

In fact, Wharton believes the financial and growth pictures have improved substantially since last fall when it predicted 1.39 million starts.

Wharton now expects conventional mortgage rates to fall from 13.2 percent in the first quarter to 11.4 percent by the fourth quarter, averaging 12.2 percent for the year, said economist Robert Wescott.

The forecast also assumes the GNP will increase 3.2 percent for the year and rise 5.4 percent from the fourth quarter of 1982 to the fourth quarter of 1983.

As a result, Wharton predicts starts will total an annual rate of 1.67 million in the first quarter, dip to 1.55 million in the second quarter and climb to 1.61 million in the third quarter and 1.72 million in the fourth quarter.

U.S. League of Savings Institutions—1.3 to 1.4 million starts. This is the most pessimistic forecast. The S&L trade association hasn't changed its forecast since last fall because, "We're very concerned that there could be a credit collision with the federal deficit that could force rates back up in the second half of the year," said chief economist Jim Christian.

Conventional mortgage rates could decline to a low of 12 percent by mid-year, "but I don't think it will last," he said. "Treasury will be borrowing heavily in the second and third quarters, and I haven't seen any evidence that Congress will do much to reduce the 1984 deficit.

"That will leave the Federal Reserve Board with two choices," Christian said. "It can either accommodate Treasury borrowing, which would increase inflationary expectations and push up long-term rates, or clamp down on credit, which would force up short-term rates."

January and February housing starts were high, he speculated, "because builders see this spring as a win-

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dow for sales, so they want to have something ready to sell."

Chase Econometric Associates, an international economic forecasting firm located near Philadelphia and owned by Chase Manhattan Bank, N.A. —1.57 million starts (1.02 million single-family, 550,000 multifamily). Chase upped its forecast from 1.38 million last fall because interest rates are lower than anticipated and S&Ls have more liquidity, said senior economist Michael Carliner.

"But that is the only thing that has improved," he said. "Household income is not strong, and unemployment is still a problem."

Chase's quarterly starts forecast (annual rates): first quarter—1.58 million; second quarter—1.51 million; third quarter—1.57 million; fourth quarter—1.61 million.

Mortgage Banker's Association —1.5 million starts (1 million single-family, 500,000 multifamily). After predicting 1.3 million starts last fall, the MBA revised its forecast upward because interest rates fell substantially and starts were up dramatically in January and February, said senior economist Warren Matthews.

The new forecast assumes conventional mortgage rates will level off at 12.5 to 13 percent in the second quarter and remain relatively stable throughout the year.

Despite the more optimistic forecast, Matthews said the rest of the economy is improving sluggishly, and that will restrain the housing recovery.

McGraw-Hill Information Systems, a construction forecasting company that publishes information about building products and construction activity—1.48 million starts (900,000 single-family, 575,000 multifamily). Chief economist George Christie increased his forecast from 1.35 million last fall on the assumption that mortgage rates will continue to recede until mid-year, level out at 12 to 13 percent and not turn up before year-end.

"I'm a little suspicious of the high starts figures in January and February," Christie said, adding that he doesn't believe they will hold up.

Carol Anderson, News Editor.

MARKETING

BUYERS THRONG TO SNAP UP CALIFORNIA CONDOS

The demand for affordable housing is so strong in Southern California that the Carma-Sandling Group sold out 286 moderately priced condos at its Niguel Beach Terrace project in less than two weeks earlier this year.

Lightning sales at the Niguel Beach project were due in part to below-market financing provided by mortgage revenue bonds Orange County issued to stimulate production of affordable housing.

Interest rates ranged from 8.75 percent to 11.5 percent, depending on buyer income, for 30-year, fixed-rate loans.

Building affordable housing isn't new to the people at Carma-Sandling. They've been working with county and state bond financing since 1979. As a result, the company hardly felt the recession, said Dennis Sundstrom, executive vice president.

This year the company expects up to 90 percent of the homes it builds to be affordable, attached units.

Even so, the response to Niguel Beach Terrace was unexpectedly high.

In six weeks, 17,000 people toured the project. Carma-Sandling decided to hold a series of lotteries as the fairest method of selecting buyers.

Nearly 6,000 prospective buyers registered for the three lotteries. Under bond program rules, buyer income could be no more than 120 percent of the median family income in the county—or a maximum of $40,110. Lottery participants were divided into three income groups: those earning 80 percent or less of the median income (under $26,740); those earning 81 percent to 100 percent of median income ($26,741 to $33,425); and those earning 101 percent to 120 percent of median income ($33,426 to $40,110).

Below-market interest rates weren't the only attraction. Prices started at $65,000—considered a steal in high-priced Orange County, especially given the choice location, 500 yards from the Pacific Ocean.

However, not everyone was eligible to buy the lowest-priced units. The price and type of unit available for purchase differed with buyer income.

The five floor plans range from a one-bedroom, one-bath with 720 square feet to a three-bedroom, two-bath with 1,250 square feet. The largest units with the best locations were priced up to $101,500.

The condos are stacked in two-story eight-plexes designed by Richard D. Lewis Architects/Land Planners. The Cape Cod styling emphasizes the project's proximity to the ocean.

Recreational amenities on the 20-acre site include a swimming pool, spas, picnic areas, tot lots and a recreation room.

In addition to the 286 units sold

Photo: David Ross

Nearly 6,000 people signed up for a series of lotteries held to sell 286 condos in Niguel Beach, Calif.

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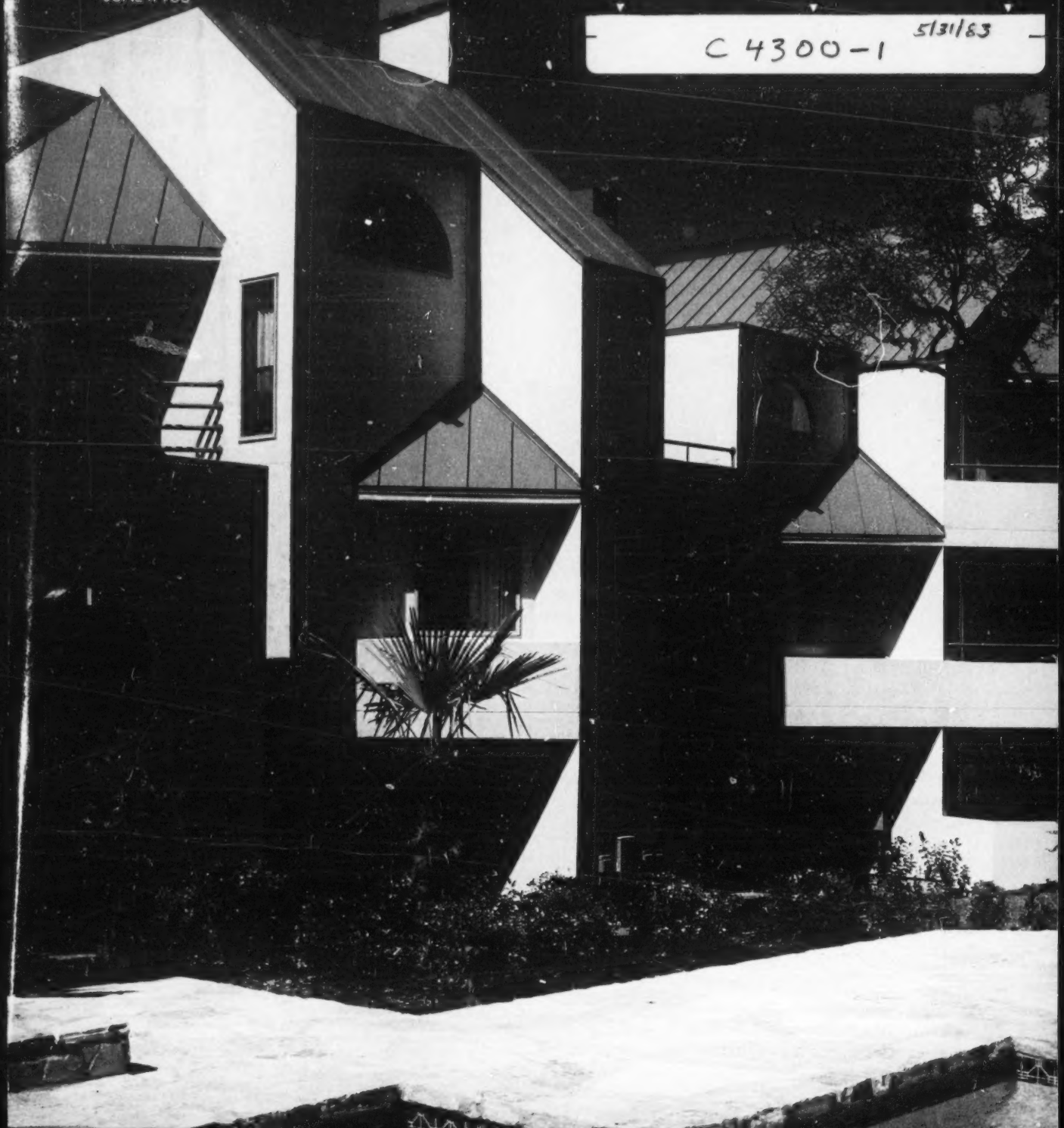

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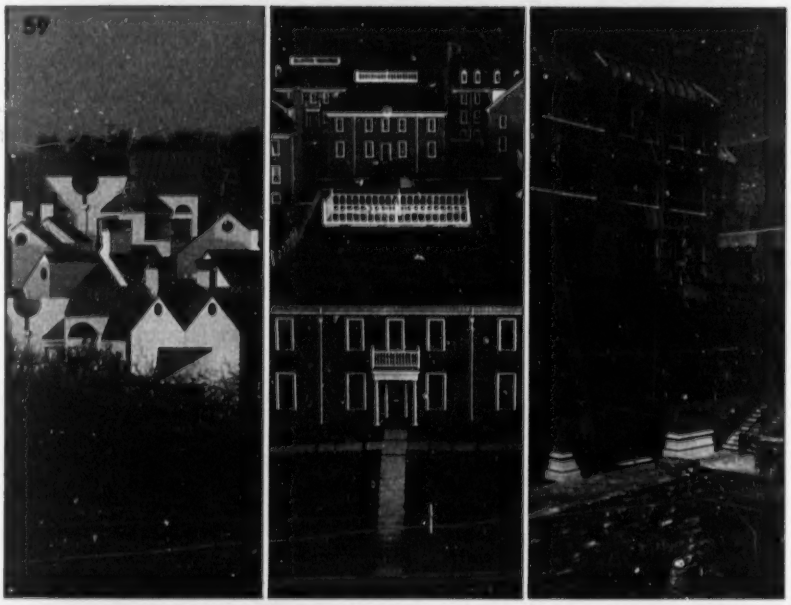

59 BRANCHING OUT
With the recovery well under way, most builders are busy building and selling new houses. But taking the time now to look at opportunities for diversification could pay off in the long run. A 23-page report on the non-res, rental and mixed-use markets, with an evaluation of each market and case studies of successful new projects.
(Cover: St. Tropez, San Antonio. Photo: Bud Shannon)

82 GROUND BREAKERS
Few builders, especially those in conservative markets, are willing to be first to try something new. Not so, however, with Beal Locke, a Shreveport, La., builder. He strives to be an innovator and with his latest project, Cobblestone, he introduces several new land planning, design and construction ideas.

ECONOMY

1983 IS IN THE BAG, SAY ECONOMISTS

"This year and most of next year are in the bag." That assessment by housing and financial analyst Leonard Santow of Griggs and Santow, Inc., is representative of the optimism expressed at NAHB's semiannual residential construction forecast conference held in late April.

Most analysts at the conference predicted total housing starts this year will range from 1.5 to 1.6 million units, up at least 42 percent from last year's postwar low of 1.06 million. There was less agreement about 1984, but most forecasts ranged from 1.7 to 1.8 million housing starts.

NAHB's updated forecast calls for nearly 1.5 million starts this year. The most dramatic improvement will be in single-family starts, which are expected to jump 56 percent to 1.03 million. Phase-out of the Section 8 program will hold the increase in multifamily starts to 16 percent, or a total of 465,000 units.

According to NAHB's forecast, the regions with the largest percentage increases in starts this year will be the Northeast, up 53 percent, and the West, up 50 percent. The South, with the largest number of starts, will increase 43 percent. The North Central will remain in the doldrums with a meager 10 percent increase in starts.

Conventional fixed-rate mortgages are expected to average 12 to 12.5 percent this year. Santow, however, predicted they could fall as low as 11 percent. The FHA-VA rate could drop to 10.5 or 11 percent by year-end, according to NAHB, and the prime rate to a low of 9.5 percent.

"Even though interest rates are down they are still extraordinarily high compared with an inflation rate of 4 to 5 percent," said Timothy Howard, vice president and chief economist of the Federal National Mortgage Association (Fannie Mae).

He blamed high rates on the $200 billion federal deficit, which he said is keeping inflationary expectations alive and causing the Federal Reserve Board to run a tighter monetary policy than it otherwise would.

Howard believes that the modest real growth rates he predicts in GNP—4.5 percent in 1983 and 5 percent in 1984—aren't enough to reignite inflation.

Another factor keeping mortgage rates high is the increased costs lenders must pay for deposits as a result of deregulation. The new money market deposit accounts, super NOWs and the April flood of individual retirement deposits have provided S&Ls and banks "with so much money they don't know what to do with it," Santow said.

S&Ls are expected to reap a record $40 billion in new money this year, according to Richard Marcus, senior vice president and chief economist of Dallas Federal Savings and Loan, but he didn't know how much of that would go to residential lending.

"The first priority for that money is to pay off high-priced borrowings from the Federal Home Loan Bank Board," Marcus said.

The window on housing will be open for 15 to 18 months before another downturn may occur, predicted Ken Rosen, an economics professor at the University of California at Berkeley who works with NAHB's forecasting service.

Although energy production states, particularly Texas, have boomed throughout the recession, Rosen predicted that cuts in energy prices will make them weak housing markets in the next few years. "The economy has turned negative in Texas. It could become the new Michigan."

The best markets, he said, will be those tied to the defense and electronics industries: Alaska; Newport News-Virginia Beach, Va.; Washington, D.C.; Atlanta; Boston; Connecticut; Phoenix; New Mexico; Amarillo, Austin and to some extent Dallas; Rochester, Minn.; Elkhart, Ind.; and Orlando-Tampa.

The big losers, according to Rosen, will be Houston, due to overproduction, Pittsburgh and West Virginia.—C.A.

NAHB's 1983 HOUSING STARTS FORECAST
(seasonally adjusted annual rates, thousands of units)

	1983 total	First quarter	Second quarter	Third quarter	Fourth quarter
Total	1,497	1,693	1,381	1,396	1,526
Single-family	1,032	1,068	1,017	1,009	1,006
Multifamily	465	625	364	387	520

Source: NAHB Economics Division

MARKETING

LEAVE THE DRIVING TO THE BUILDER

More suburban home builders are giving buyers a lift to work, overcoming the biggest objection many buyers have to far-out sites.

And even at close-in developments, builders are finding that low-cost bus rides are a powerful new marketing vehicle.

The commuter buses, van pools and shuttles are far from a free ride for builders. Montclair, a 1,600-unit single-family project in Dumfries, Va., about 35 miles from Washington, D.C., has a daily commuter bus service that costs developer Second Montclair Corporation $15,000 to $20,000 a year.

Second Montclair, a subsidiary of the Chemical Bank of New York, leases two buses for $185 a day. In defense of the expense, marketing manager June Chapman said the bus service "doesn't directly sell homes, but every buyer asks about it." All Montclair newspaper ads and sales packets promote the service.

Located in a county that has no public transit, Montclair also has a flourishing van and car pool network among homeowners. But the 40-passenger buses operate at about 80 percent capacity, higher in winter.

The round-trip commute costs riders half the $200 estimated for a month of commuting by private car.

see DRIVING p. 42

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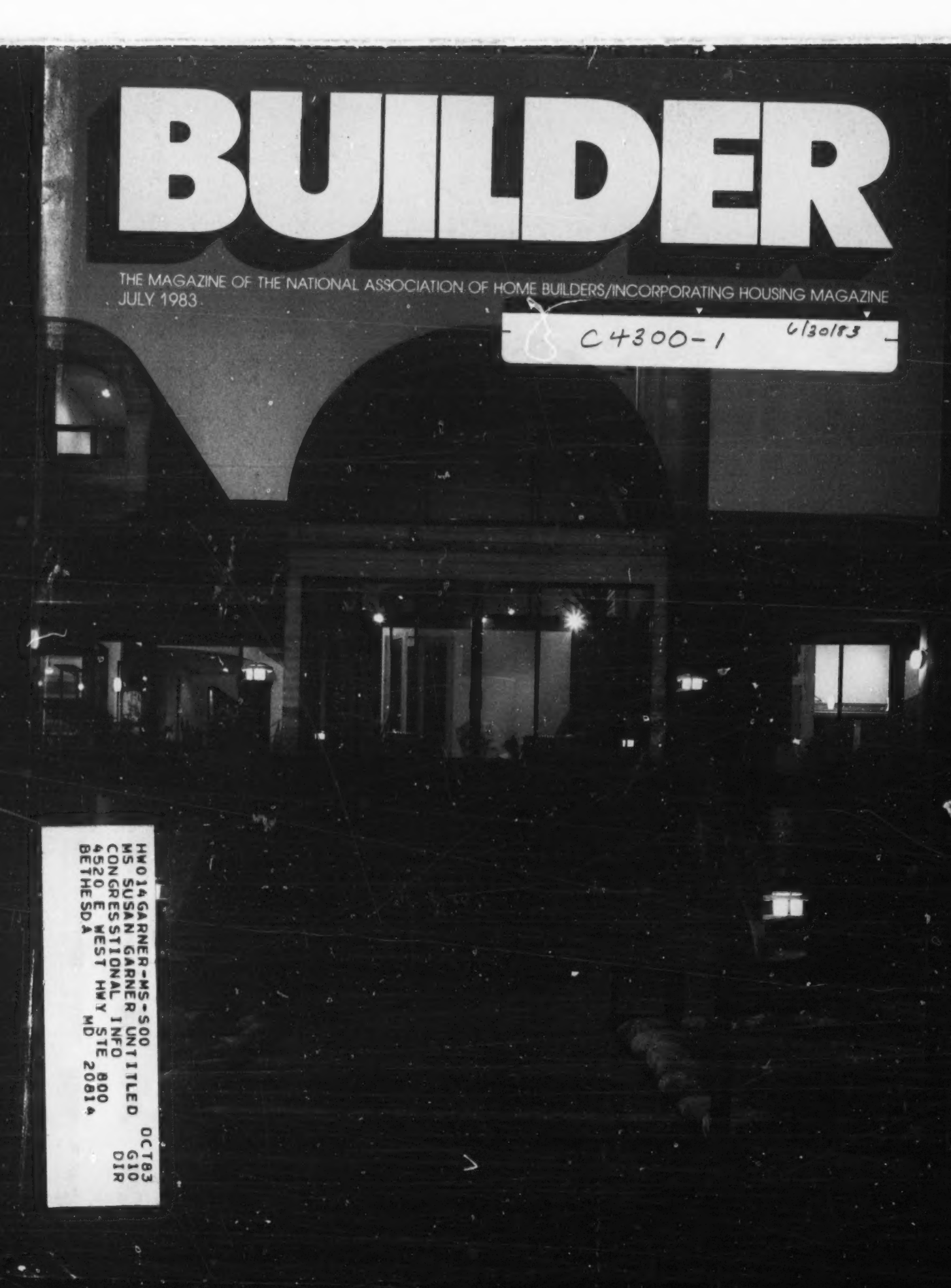

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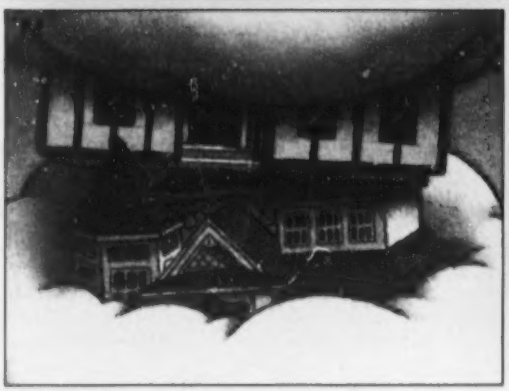


52 BEST FROM THE WEST
The best design in the housing industry still comes from the West. And here's the very best from the West—winners of the 20th annual Gold Nugget Awards contest sponsored by BUILDER and the Pacific Coast Builders Conference.

(Cover: Custom home, Santa Barbara, Calif. Photo: Copyright Robb Miller 1983)

74 2 MILLION STARTS A YEAR: FANTASY OR REALITY?
Many say it will never happen again. Others think it might. A hard look at the time-honored benchmark of a healthy housing industry.

80 GROUND BREAKERS
You can't please everybody, and Holm-Wodehouse Co. didn't try. Their small, eclectic townhouse project in San Diego baffled some buyers but appealed to others looking for custom design at an affordable price.

CAN THE RECOVERY BE SUSTAINED?

Michael Sumichrast
NAHB Chief Economist

Housing's recovery is continuing at a somewhat faster pace than we forecasted a year ago, but the strength of the recovery in the last half of this year and in 1984 will depend on the direction interest rates take.

We assumed all along that all interest rates would continue to decline, with the prime rate dropping to 9 percent this year and the FHA rate reaching 10 to 10.5 percent.

At current mortgage rates, there is a limit to the number of people who can qualify for even a moderately priced home. (In March the median price of new single-family homes was $73,500.) And at this point, there are scattered indications that the high level of mortgage rates—now at about 13 percent for conventional mortgages and 11.5 percent for FHA-VA mortgages—is starting to affect sales.

For example, sales of new single-family homes are somewhat lower than expected, given the high level of starts of new single units. Over the past 20 years we have had a ratio of sales to starts of about 58 percent. This means that for every 100 houses we start we will sell about 58. (Of the balance—42 units—most are built for owner occupancy on their own land and a few are built for rental.)

In the first three months of this year this ratio dropped to 54 percent. Put another way, we are selling about 9,000 more new single-family homes, but starts for singles are running at an annual rate of 97,000 units higher than the 20-year average.

Is this cause for concern? Maybe. Starts shouldn't get too far ahead of sales. We really should build for the market—not for inventory.

Another point: Since last October there has been a gradual increase in the number of units in unsold inventory. Again, the increase is small—some 19,000 units—and inventory was at a very low level. Nonetheless, inventory is up slightly.

Our most recent survey of builders indicated a marginal weakening in traffic as well as builders' expectations for sales for the next six months.

There's not a great deal of change, and it's probably justified by the strong spring showing.

The problems builders surveyed mentioned most were interest rates and the ability of buyers to qualify for mortgages.

A builder from Selingsgrove, Pa., said: "Need continually lower interest rates." Another, from Ithaca, N.Y., wrote: "Long-term rates are not dropping fast enough."

In addition to high interest rates, another cost of money was cited as a problem. A builder in Taylorsville, Ill., told us: "Something is wrong with a system whereby the loan fees are more than the on-site carpenter labor on a house."

That's a good point. Lenders have become so used to charging up-front fees to generate cash that there now seems to be no end to their appetite: They want to get just as much as they can. It seems that in the past several years the controversy over the reasonableness of settlement costs has been superseded by debates over front-end fees, which are getting out of hand.

In spite of these problems, the housing recovery has been widespread and visible in most parts of the country.

Of course, some areas are doing better than others. Areas still hard-hit by unemployment and outmigration are suffering.

"Housing is dead. Few people want $70,000 houses even when they're selling for $40,000. Plant closed in local area so we have a buyer's market but few buyers." That statement came from a builder in Monticello, Ark.

Looking at regions, states and cities gives us the following housing production picture for 1984.

The regional forecast of housing starts for 1984 shows a strong recovery everywhere but the biggest improvement in the Northeast. Housing starts in this region are expected to increase by 86.5 percent between 1981 and 1984. Starts in Massachusetts are expected to increase to 26,700 units from 15,900 in 1981, and starts in Connecticut and New Jersey will double.

The South and West will account for about three quarters of all starts in 1984, just as they did in 1981.

Texas will be the number one state in production of new units in 1984 with 337,900 units (an increase of 107.4 percent from 1981); Florida will be second, followed by California.

The top 10 states will start almost 1 million units in 1984, close to the level reached in 1981 and 1982 for the United States as a whole.

We don't have a forecast for metropolitan areas for 1984, but for this year the South is predominant among the top cities.

The recovery is continuing and will continue into next year, as long as interest rates drop at least a little more.

Any upturn in rates surely would result in a quick end to the recovery. However, an upturn is not likely.

TOP 10 STATES IN 1984

	Housing Starts		Percent
	1981	1984	change
1. Texas	162,900	337,900	107.4%
2. Florida	141,000	156,600	11.1
3. California	98,700	133,500	35.3
4. Georgia	37,300	72,700	94.9
5. Arizona	32,000	59,300	85.3
6. Oklahoma	21,200	51,900	144.8
7. Colorado	28,200	50,100	77.7
8. North Carolina	36,700	49,100	33.8
9. Virginia	29,400	46,500	58.2
10. Pennsylvania	28,900	40,300	39.4
Total	**616,300**	**997,900**	**61.9**

FLORIDA

Photo: Nick Norwood

California styling and affordable prices sparked 90 condo sales in three months at Parc Village in west Broward County, Fla.

a one-bedroom, one-bath plan.

Market surveys targeted a market of first-time buyers—young, professional singles and couples aged 30 to 35—rather than empty-nesters who prefer to live on the water and can afford to pay for it.

"We hit the target market perfectly," Alexander said. "We couldn't have done any better if we had picked the buyers ourselves."

Designed by the Los Angeles architectural firm Levitt-Turner and architects Mouriz & Associates, Coral Gables, Parc Village features a colorful California-Spanish look with white stucco exterior walls and blue tile roofs.

"We departed from the beige and off-white colors typical in Florida, and that helped set us apart," Reich said. Tropical landscaping and red, stamped concrete drives add color too.

Another difference that proved popular was the design of entries. Even second floor units have ground-level entries instead of the more common catwalk system, providing greater privacy and a sense of eye-level ownership.

Screened balconies or patios are other popular amenities.

Because Parc Village is located in the country club community of Jacaranda, recreational facilities didn't have to be extensive. They include a swimming pool and spa.

Gulfstream is planning a second, more ambitious project, a 4,000-unit multifamily community also in west Broward County. Construction is scheduled to start early next year.
—C.A.

ECONOMY

WALL STREET IS BULLISH ON HOUSING

The strength of the housing recovery can be measured in the stock market as well as the sales market. And on Wall Street these days, housing stocks are the hottest thing going.

"Housing stocks have been among the best performers in the last six months," reported Barbara Alexander, first vice president of Smith Barney. "In the case of home builders alone, it's tough to find a stock that hasn't quadrupled."

Of the 15 housing-related stocks Alexander follows, all have at least doubled and some have jumped 12 to 15 times from their most recent lows.

Alexander, who covers the housing sector for Smith Barney and admits to being the industry's "strongest proponent on Wall Street," believes that multi-market, publicly owned home builders will be grabbing a larger market share as the recovery continues.

Large builders have always improved their market shares during a recession and lost some of their gains during recovery, she explained. "But because they have a leg up on financing, this cycle should be different. And this is causing analysts to raise their estimates of what these companies can earn as the market continues to improve."

"What I'm hearing from analysts and portfolio managers is bullish," agreed investment adviser Kenneth Campbell. "This is not to say that they don't recognize that housing is not completely out of the woods, but we're only 12 months or so into the recovery and the typical housing cycle runs three to five years from trough to peak."

Campbell, whose firm, Audit Investments Inc., specializes in real estate stocks, said several factors are contributing to the upsurge: Interest rates are declining, fixed-rate mortgages are back in vogue, demand is strong and builders have expanded their markets with more affordable product.

"As long as good money is available, the recovery will broaden," he maintained. "Of course, too strong a recovery could cause another round of inflation, but right now the stock market is saying housing is going to be a much stronger business."

Campbell, who follows nine major builder stocks and 29 minor ones, said five of the nine majors outpaced the Dow Jones average between the first of the year and mid-May.

While Dow rose 17.5 percent during that period, Pulte jumped 81.3 percent, Standard Pacific increased 81 percent, U.S. Home rose 50.2 percent, Presley was up 38.9 percent and Ryland moved up 21.3 percent.

Of the other four, two performed almost as well as the Dow—Centex was up 15.7 percent and Shapell rose 15.3 percent. Shares in Ryan Homes increased only 3.1 percent, however, while those in Lennar, a Miami builder, dipped 2.3 percent, probably reflecting the poor condo market in South Florida.

It's Campbell's "gut feeling" that many builder stocks could double within the next year. He's particularly high on Pulte, which he said does a superior job in marketing, has developed a strong mortgage subsidiary and has good control of its costs.

This Michigan-based, multi-market builder "has incredible momentum," he said, "and could go almost anywhere."

On the other hand, Alexander, who said stock prices must be divorced from earnings, thinks Pulte may be just about played out: Pulte is getting "to a level where buying it doesn't make a lot of sense, and the same is true of U.S. Home," she said. But she still recommends Ryland "very aggressively." Ryland has risen from a low of 12 to a high of 76, and Alexander sees it "going up another 10 to 20 points."

Charles E. Peck, Ryland's chairman,

see WALL STREET p. 40

NEWS

WALL STREET

10 TOP HOUSING STOCKS
Highs and lows for year ending June 1, 1983

Company	High	Low
Centex	49⅛	17½
Kaufman and Broad	25¼	6½
Lennar	29⅛	10¼
Presley	26¼	7½
Pulte	37	3⅜
Ryan	48	12½
Ryland	76	12⅛
Shapell	53⅜	21
Standard-Pacific	23	4¼
U.S. Home	20⅛	5½

believes the current surge in housing stocks in general is caused by investors trying to anticipate future earnings.

Like Alexander, Peck feels that the key is for builders to isolate themselves from future housing cycles. "The current high tide in this industry is floating all boats," he said, but the performance of some builders will ebb when housing slows down.

To insulate itself from housing cycles, Ryland developed an in-house mortgage banking operation which Peck said "helps us compete as well as grow and expand."

In addition, the company is expanding into new market areas and has entered the modular home business, selling units to other builders. The Columbia, Md.-based firm's first factory, in New Windsor, Md., is running full tilt and a second plant in North East, Md., will open this month.

Lew Sichelman, a syndicated housing columnist.

ECONOMY

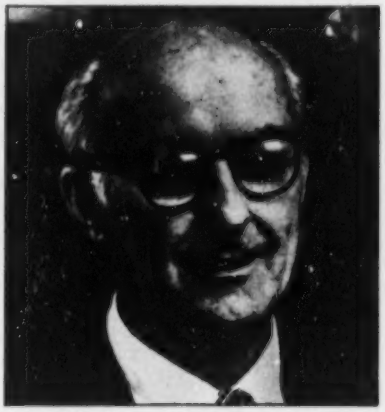
BANKERS TOLD PROBLEMS NOT OVER

Though the mood at the National Mortgage Banking Conference in mid-May was upbeat, James Wooten, president of the Mortgage Bankers Association, sounded a note of warning.

"The fruits of these better times—I hesitate to call them good times—are fragile. We must be aware of the potential dangers ahead," he told bankers at the annual conference in New York.

Wooten, who also is president of Lomas & Nettleton Co., Dallas, said continued high mortgage rates are one of those dangers. He urged his colleagues not to accept "the new conventional wisdom that mortgage rates won't drop below 12 percent.

"The median-income family earning $24,000 a year still can't qualify for the median-priced house at current



James Wooten: Dangers ahead.

rates," Wooten asserted. "We can't be content with that. We can run out of buyers at 12 percent just as we did at 15 and 16 percent.

"Only when mortgage rates get down to 10 percent can the bulk of the prime first-time buyer market afford the median-priced home," he said.

Noting the resurgence of the fixed-rate mortgage and buyer resistance to adjustable rate mortgages, Wooten said, "We are all now conscious that the consumer is the final judge of what's acceptable and what isn't."

He questioned several other "conventional wisdoms"—one that pension funds will greatly increase their investment in housing.

"We shouldn't expect too much from them too soon. They are not notorious risk-takers."

Wooten also took issue with the idea that federal housing credit programs will gradually decrease and be replaced by the secondary market.

"It will take the continued presence of the federal government through Ginnie Mae to keep funds flowing" into the real estate market, he said. The emergence of the conventional mortgage-backed security should be viewed as a complement to the Ginnie Mae security, not a substitute, Wooten added.

Conference participants heard more words of qualified optimism from Preston Martin, vice chairman of the Federal Reserve Board.

"We at the Fed have had some trepidation about the sustainability of the recovery, but recent indicators are more reassuring that the economy is on the right track," Martin said. "We can possibly go three or four years in this recovery."

The biggest risks to the recovery, he said, are "mega" deficits, high real interest rates and the possibility that the international debts of less developed countries could be mismanaged. —C.A.

FINANCE

HOMAC EXCEEDS GOAL IN MORTGAGE COMMITMENT

Builders reserved $185 million in mortgage funds under the third commitment negotiated by HOMAC, NAHB's mortgage corporation, exceeding the $150 million goal.

To date, HOMAC has sold more than $400 million in mortgage commitments since going into operation last fall.

The latest commitment, sold in May, covers FHA 203 (b) and 245 mortgages and VA loans, including full-term buy-downs. Funds were provided by two mortgage banking companies, Norwest (formerly Banco) and Cameran Brown, which will originate and service the loans and package them as Ginnie Mae securities.

HOMAC plans to offer another FHA-VA commitment in September.

In other HOMAC news, the corporation announced the appointment of Robert Larson as its new president. Larson, formerly vice president of marketing for Evans Financial Corp., replaces Paul Barru, who will continue as chairman of the board. —C.A.

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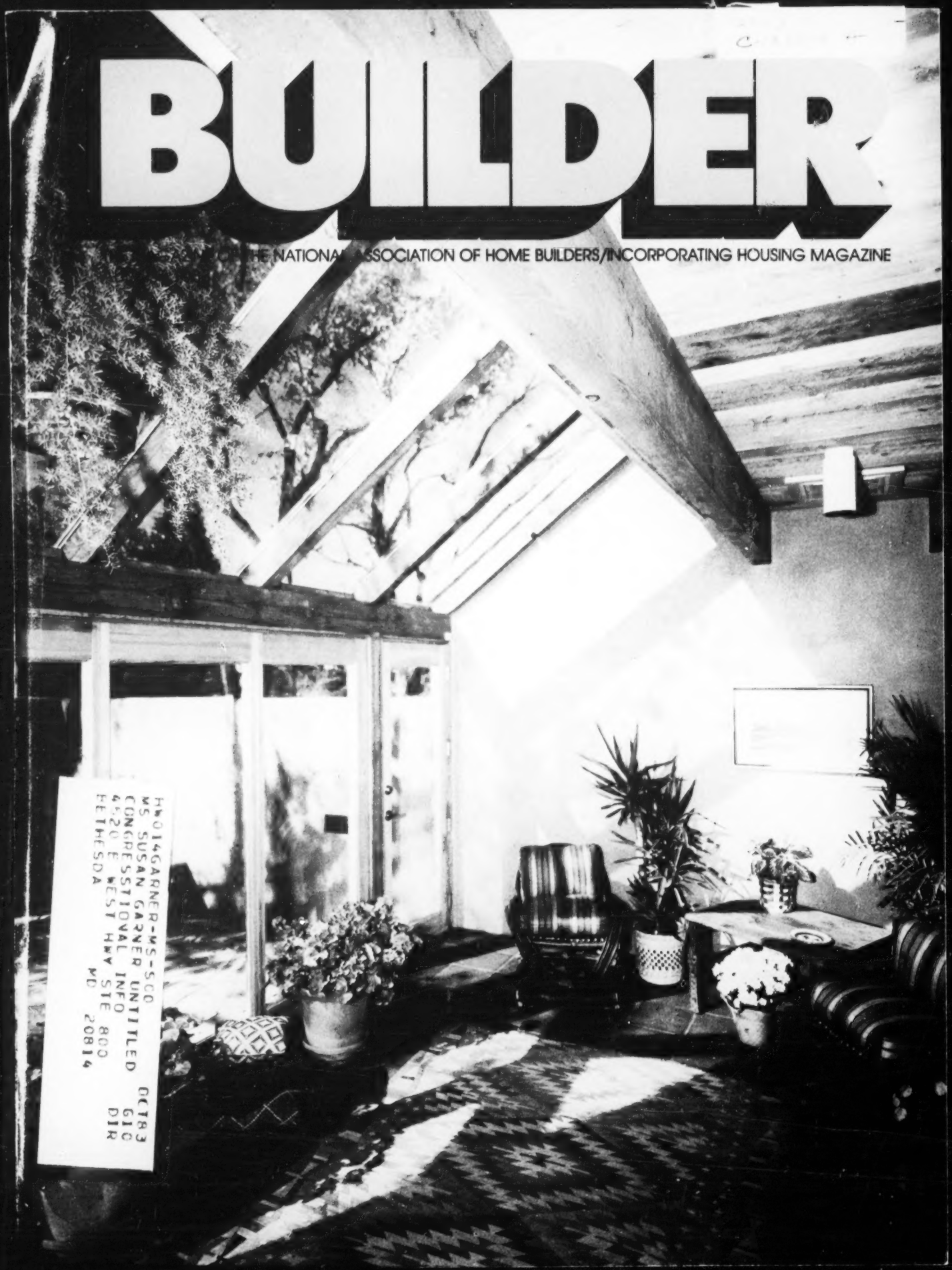

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54 LANDSCAPING
Landscaping shouldn't be an afterthought. In fact, careful landscaping is especially important now that density is increasing and lots are shrinking.

62 ENERGY-WISE ATTACHED HOMES
Saving energy isn't the big issue it was a few years ago. But a great deal of innovative work still is being done to improve the energy efficiency of attached housing.

(Cover: La Vereda, Santa Fe. Photo: David Hoptman)

70 THINK SMALL
The third part of a four-part series on how to down-size housing shows how to use windows, greenhouses and skylights to light up smaller houses. Prepared with William Devereaux, Berkus Group Architects.

76 GROUND BREAKERS
A unique company, through an unusual franchise operation, brings together do-it-yourselfers interested in reducing the cost of their new houses and small builders interested in generating more business.

28 NEW COLUMN: MARKETING
This new column, which will appear every other month, focuses on new marketing strategies and on-site sales techniques. The author, Bernard S. Schreft, is executive vice president of Greenman Corporative Consultants, Inc., a Hollywood, Fla.-based firm that provides marketing and consulting services to builders, developers, lenders and investors.

THE RENTAL DILEMMA

Michael Sumichrast
NAHB Chief Economist

Last year only 116,100 unfurnished, non-subsidized apartments were built, the lowest number since 1947. During the first five months of this year, multifamily rental construction is up 76 percent. Still, the numbers are very low in comparison to need.

The smaller and smaller number of units being produced by the public sector has contributed to the very low level of new rental production. Last year the production of federally subsidized rentals dropped 28 percent to only 47,000 units, and the outlook for this year and next is not encouraging. The Section 8 program has dried to a trickle, and no new program has replaced it.

Because rental production has been so low, rents have increased at a double digit rate during the last five years. This was in sharp contrast to the declining rate of increase in prices of new as well as existing homes.

The accompanying chart shows the movement of rents and rental starts going in opposite directions. And as rents have increased the absorption rate of new rentals has declined, increasing the overall vacancy rate. In the last quarter of 1982 (the latest available information from the Census Bureau), only 59 percent of all new units were absorbed within three months. This was down from 73 percent in the third quarter and the 80 percent registered in 1981.

THE DEMAND FOR RENTAL HOUSING

Forecaster	Expectation of net rental demand in the 1980s (new units per year)
Uriel Manheim	350 to 400,000
Harvard-MIT Joint Center	320,000
George Sternlieb and James Hughes	410,000

The same trend holds for the absorption rate in the first six months after completion. That rate dropped to 85 percent in the third quarter of 1982, down from 92 percent in 1981.

Clearly, new rentals are not being absorbed as fast as they were two or three years ago.

The vacancy rate of all rental units also has shot up. In the first quarter of this year the rate was 5.7 percent, up from 5.3 percent a year earlier and at the highest level for the first quarter since 1974.

This increase in the vacancy rate and the slower absorption of new units occurred in spite of one of the lowest levels of new production of new rentals in 36 years. In total last year only 219,900 new rental units were completed: 66,100 federally subsidized units and 153,800 new conventionally financed rentals, including 37,800 furnished units. Rents have increased 13.2 percent annually since 1977. (In the past three years, the median price of new housing increased by only 3.4 percent annually.)

Rents generally were depressed for most of the 1970s and started to edge up in response to declining production and increasing costs. Housing prices increased rapidly at a time when rents were increasing slowly and dropped very sharply in the midst of the recession.

The rental market really is many markets. The largest segment is rental structures with five units or more. There are about 18 million units in this category; that's about 39 percent of all rental units.

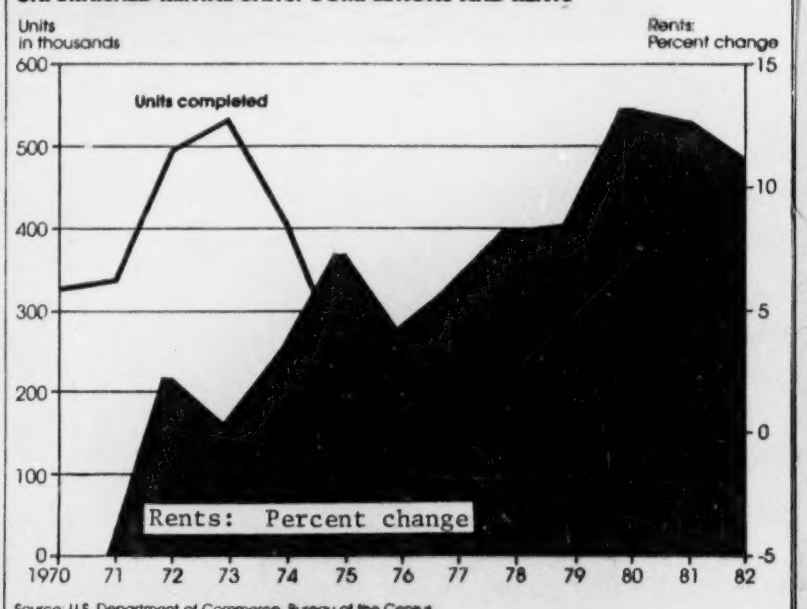
The second largest group consists of single-family homes. About 9 million such units are rented, accounting for 32 percent of the total. These are followed by buildings with two to four units, making up a 27 percent market share. About 2 percent are mobile homes for rent.

While single-family units for rent always have been a significant supplement to the rental market, it's unlikely this segment will help increase the rental inventory in the future. For one thing, the share of singles being rented actually dropped in the 1970s to just over 17 percent of all housing units, down from nearly 20 percent at the end of 1970. Forecasters do not expect that share to increase at all in the 1980s.

Thus, new rentals must come from new production or conversions of existing units. Some conversion is occurring now in the condo market; many unsold condos have been turned, at least for the time being, into rental units. But this always happens in a recession.

We really have not had a good production year for rentals in the last decade. Demand for new rentals is put by forecasters at 320,000 to 410,000 units annually for the 1980s. Clearly, we need more rentals. The question is whether we build more units with interest rates at their current level, and whether the increases in rents can justify more privately financed new construction.

UNFURNISHED RENTAL UNITS: COMPLETIONS AND RENTS



Source: U.S. Department of Commerce, Bureau of the Census

ACTION NAHB

NAHB SURVEY IDENTIFIES WHO BUYS HOMES—AND WHY

Families still comprise the biggest chunk of the market for single-family homes, according to the seventh annual survey of new home buyers conducted by NAHB's Economics Department.

The survey found that the typical family, with husband, wife and children, made up 54 percent of new home buyers during the July 1981-June 1982 period. Husband and wife only accounted for about 32 percent of the buyers and one parent with children, groups of individuals and single persons made up the rest.

For the survey, the country was divided into the four major census regions. Within each region builders were stratified by the following sales prices: $40,000 to $50,000, $50,000 to $60,000, $60,000 to $70,000, $70,000 to $80,000, $80,000 to $100,000, $100,000 to $150,000, and over. A questionnaire was mailed to a randomly selected sample of 2,325 single-family home buyers; 880 responses were received.

Asked why they bought in a particular community, half said that they wanted to move into a better neighborhood. The next most important reason was proximity to work.

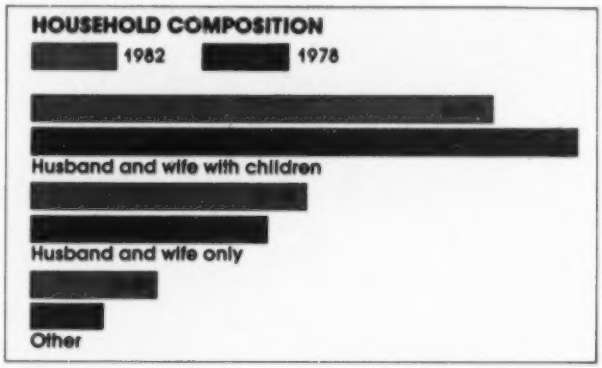
How far do home buyers move from their previous residence? The survey found that about 42 percent of the home buyers moved less than 10 miles.

The desire to own a home is still the reason most often cited for buying a new home. The 38 percent response was even greater than job transfer (21 percent), need for a larger house (14 percent) and desire for a change (12 percent).

Other survey results:

- New home buyers travel 16 miles each way to work, taking 26 minutes to travel this distance. But this average varied with regions. In the Northeast, the head of the household traveled 25 miles, for 40 minutes of commuting time. In the North Central it was 15 miles and 24 minutes, in the South 15 miles and 27 minutes and in the West 16 miles and 25 minutes.
- About 35 percent of the home buyers were first-time buyers.
- Main source of financing for the new home purchase was savings for 45 percent of the home buyers, and equity from the sale of a previous home for another 39 percent.
- Nearly 79 percent of the heads of households were 25 to 44 years old.
- Combined household income was $35,000 to $44,999 for the largest number (32 percent) of respondents. The $50,000 and over category accounted for 25 percent and $25,000 to $34,999 22 percent.
- Home buyers expressed strong concerns about energy efficiency. An overwhelming number—72 percent—said that energy efficiency is important in a new home.
- Half the buyers spent less than three months in their search for a new home.

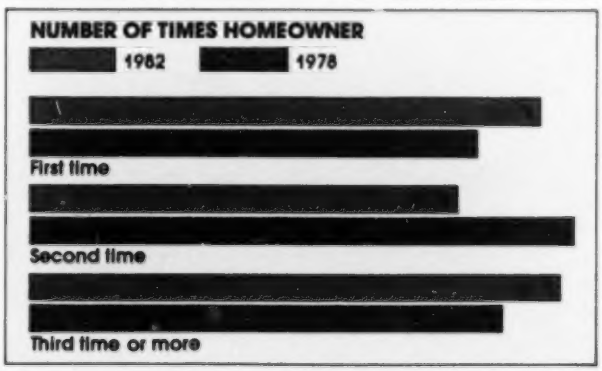
For detailed tabulations and historical data on the survey, contact Gopal Ahluwalia, Director, Statistics and Surveys, NAHB Economics Department, (202) 822-0480.



PROFILE OF A NEW HOME BUYER
JULY 1981 - JUNE 1982

NAHB's seventh annual survey of the new single-family home buyer provides this profile:

- The buyer was 34 years of age.
- The combined household annual income was $37,131.
- The median price of the new home purchased was $74,790.
- Families consisting of husband, wife and children made up 54 percent of the respondents.
- There were two or more wage earners in 57 percent of the households.
- The head of household travels 17 miles to work and spends 28 minutes making the trip.
- More than half the buyers moved within the same county.
- Approximately 42 percent of the buyers moved less than 10 miles.
- Most buyers found out about their new home by driving around the area.
- The quality of insulation and energy efficiency was important to 72 percent of the buyers.
- Main source of financing the down payment was savings for 45 percent of the buyers.
- Mortgage payment and utility costs of the new home were $923.



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88—1983 BUILDER'S CHOICE DESIGN AND PLANNING AWARDS
Sponsored by BUILDER magazine and established to recognize excellence in design and planning of all types of housing and commercial buildings, the 1983 Builder's Choice awards program attracted a record number of entries, almost 600. There were 62 winners, and this year for the first time the jury selected one entry as "project of the year." All the winners are featured in this issue, and together they represent the best work being done by builders, architects and planners in the mainstream of the housing industry.
(Cover: Fairway Bay, Longboat Key, Fla. Photo: Copyright Dan Forer 1983.)

INTEREST RATES—WHICH WAY?

Michael Sumichrast
NAHB Chief Economist

Just before Ed Harper left his White House post as Assistant to the President for Policy Development he told me: "We want lower interest rates. Anybody who says otherwise is not speaking for the Administration."

While it's no sure bet that rates will decline, I feel comfortable predicting lower rates next year. How much lower? Well, let's say about 50 to 75 basis points. The problem doesn't seem to be in the balance of this year, or 1984. The problem clearly is the post-election period when we will face a collision in the financial market between federal deficit financing and private borrowing.

The Fed's return to scrutinizing the money supply (M1) did not help the market. It became hypersensitive to any wiggle in money supply each Friday.

But the decline in interest rates in the latter part of August supported the notion of most analysts that the rapid growth of M1 during the first half of the year will not continue into the second half.

In addition, a decline in interest rates now and for the balance of the year will be supported by a downward revision by the Treasury Department of its financial needs. And the international situation has most certainly played a role, generating pressure for U.S. rates to stop increasing.

The basic problem the Fed now faces is how to react to the unexpectedly strong recovery. The Gross National Product increased by a whopping 9.2 percent in the second quarter, very rapid growth by any historical comparison. Early expectations assumed a sluggish recovery; instead this recovery is proceeding almost the same way as the recovery in any other cycle.

Of course, this recession was not quite the same as others and the recovery is somewhat different. The recession was far deeper, so the recovery is more pronounced.

As it was, the fast growth in the second quarter plus fear of reigniting inflation and worries about the deficits prompted the Fed to tighten rates.

The increase in interest rates almost immediately affected credit-sensitive industries. Housing provided the first line of data on this impact. Starts were running high, then peaked in May and actually declined for two months in a row. Single-family starts dropped 10 percent in July—a very sharp drop.

Sales peaked about the same time and reports from the field suggest a sharp drop in sales in late July and most of August.

Some analysts concluded that the Administration and the Fed were playing politics with interest rates, that is, running up rates now so they can let them drop next year, an election year.

In a *Wall Street Journal* article Lindley H. Clark, Jr., said that the Fed and the Treasury Department have "embarked on a joint project: Re-elect Ronald Reagan."

He suggests that the Fed will keep the economy relatively subdued, leaving room for Treasury to get most of its borrowing out of the way now. Then the Fed will step on the gas and resume the boom just before the elections.

I'm not certain that's the way things are developing, but one thing is certain: Just a short time ago—in mid-August—a member of the Fed told me, "This is the first time in the history of the Fed that we have intervened so early in a recovery."

Politics or not, no central bank anywhere in the world is immune to political pressure.

Another reason interest rates should be lower now is the subdued rate of inflation. The revision in the GNP was due solely to a drop in the GNP price deflator (a wider measure of inflation than the consumer price index) from the first estimate of an annual rate of 4.5 percent for the third quarter of 1983 to only 3.5 percent. The CPI has risen only 2.4 percent during the past 12 months. That low rate of inflation can and will support lower interest rates.

As for mortgage rates, the FHA rate dropped from 13.5 to 13 percent on August 22. That's not significant by itself. What is significant, however, is the speed with which this Administration reacts to such changes. In the past two and a half years Reagan has been in office the FHA rate has changed 19 times.

What the Reagan Administration is doing is setting the stage for dumping the ceiling on FHA-VA loans by responding to market rates almost immediately.

Problem is that the Administration is having trouble with the fine tuning. First it increased the FHA rate too much, up to 13.5 percent from 12.5 percent. Then, just three weeks later, it had to drop it again.

Nobody is complaining about the rate declining, but the constant interference in the rate makes it difficult for builders to operate.

Confusion in forecasting interest rates is likely to continue. But at least we have some hope that rates will come down and that for the next year or so consumers will have cheaper rather than more expensive money.

However, the decline in rates will not be enough to make 1984 a better year. The way things are developing, we will start about 1.6 million new units in 1983. Next year we will start about the same number, or less. For at least a year or so I have forecasted a stronger 1984, with starts up to 1.7 or 1.8 million units. I based the old forecast on the assumption that the FHA-VA rate would fall to about 10.5 percent.

That's unlikely now, so my new forecast is more modest.

CHANGES IN FHA-VA INTEREST RATES BY ADMINISTRATION

President	Number of rate changes	Length of change (in months)	Interest rates			
			Start	End	High	Low
Roosevelt	3	41.4	5.00%	4.50%	5.50%	4.50%
Truman	1	9.2	4.50	4.25	4.25	4.50
Eisenhower	4	24.0	4.25	5.75	5.75	4.25
Kennedy	2	12.0	5.75	5.25	5.75	5.25
Johnson	4	17.9	5.25	6.75	6.75	5.25
Nixon	10	5.7	6.75	8.75	8.75	6.75
Ford	10	2.9	8.75	8.00	9.50	8.00
Carter	15	3.2	8.00	13.50	14.00	8.00
Reagan*	19	1.6	13.50	13.00	17.50	11.50

*Term not yet over

Source: U.S. Department of Housing and Urban Development; NAHB Economics Division

FAILURE

remarked, adding that the company took a market risk and went on building (finishing units) without buyers.

The risk paid off. When interest rates eased last fall, Murray Hill was sitting pretty with a healthy inventory of completed units.

Taking no chances this time, Intermanagement and Lincoln Federal offered an either-or financial package: A Murray Hill buyer could have either 10 year, 11.75 percent financing for himself or for the purchaser of his home. Although no buyers took Lincoln Federal up on the far side of the option, Boyce is convinced the offer was an effective marketing tool.

In any case, Murray Hill Square appears to have put the seven lean years behind. Half the units have been sold, mostly to professionals. For them, the location that was so deadly for a commercial venture is perfect, just 22 miles from their offices in Manhattan.—P.L.

MARKETING

FIRST-TIME BUYERS FAVOR CONDOS

About one-third of first-time buyers in major metropolitan housing markets purchase condominiums.

That was one major finding of a recent study by Chicago Title Insurance Company. The study also detailed a number of differences between first-time buyers who purchase condos and those who buy single-family houses (see chart).

According to the study, only 25 percent of all first-time buyers purchased new rather than resale units, but twice as many condo buyers did—36 percent compared with 18 percent.

In addition, condo buyers spend less time shopping, an average of 3.7 months versus 4.7 months, and they look at fewer units before deciding to buy—8 compared with 10.9.

The study also found that a much smaller proportion of first-time condo buyers are married—about half versus three-quarters of first-time buyers purchasing single-family houses.

Although condo buyers' average income was slightly more, as was their average mortgage payment, the average price of the home they purchased was somewhat less—$57,700 compared with $59,500.

FIRST-TIME BUYER PROFILE

	Single-family buyers	Condo buyers
Type of purchase—new home	18%	36%
Number of homes looked at before purchase	10.9	8
Shopping time	4.7 months	3.7 months
Home price	$59,500	$57,700
Mortgage payment	$654	$656
Buyer's age	28.9 years	28.3 years
Family size	2.7 persons	2.1 persons
Income	$27,760	$28,870
Married	76.6%	51.5%

Source: Chicago Title Insurance Co.

FINANCE

NAHB MUTUAL FUND ATTRACTS $7 MILLION

The new mutual fund formed this spring by NAHB and the National Association of Realtors (NAR) attracted more than $7 million in investments during its first few months of operation.

By September, approximately 1,200 investors had contributed to the no-load fund, called Home Investors Fund, which at that time was earning a respectable 11.01 percent.

Approximately 60 percent of investors were Realtors, 6 percent builders and the rest were members of the general public, said Bart Doyle, director of investor relations for NAHB's Mortgage Finance Division.

The fund was formed to attract more money into the mortgage market, especially retirement savings of NAHB and NAR members. The money is being invested in mortgage-backed securities. To date, about 60 percent of fund investments has gone into Ginnie Mae securities. The rest has been invested in securities of secondary mortgage market agencies and mortgage-backed bonds issued by Pulte Homes.

The fund, which is administered by the Vanguard Group, Valley Forge, Pa., operates like any mutual fund.

"The most significant thing to happen so far," Doyle said, "is that we have enough investors to be listed by the National Association of Securities Dealers in its index of mutual funds." Doyle said that should boost participation considerably.—C.A.

ENERGY

BUILDERS SUE TO STOP ENERGY STANDARDS

Builders in the Northwest have filed suit against a regional energy agency to stop the implementation of what they believe are unrealistic residential energy standards.

The standards, which were developed by the Northwest Power Planning Council, would add about $5,000 to the cost of a new home, charged Dean Chaussee, president of the Seattle Master Builders Association.

The association is among a number of complainants to bring suit against the council. The others are the home builders associations of Washington State and Spokane, Wash., the National Woodwork Manufacturers Association, the Fir and Hemlock Door Association, the Seattle Door Company and four individual builders in Washington and Montana.

The council was created several years ago by Congress to develop long-range energy plans for the four-state region, which includes Washington, Oregon, Idaho and Montana. The agency adopted the standards in April and gave the states and localities until January 1986 to implement them (or comparable standards) or face a surcharge on electric rates of up to 50 percent.

The standards would apply to new single-family and multifamily housing built after the state or locality adopts the requirements.

In Seattle, for example—a city with a temperate climate—the standards would require R-27 walls, R-38 ceilings, R-30 floors, triple-pane windows, full plastic wraps, air-to-air heat exchangers, dehumidifiers and heat pumps.

"The intention of the council is to cut the amount of electricity used to heat a square foot of living space by

see STANDARDS p 76

ROUNDTABLE

because they fear competition.

While trade associations have sat in on roundtable meetings, they have their own forum, known as the Group, to discuss housing concerns. That confederation, which consists of NAHB, the National Association of Realtors, Mortgage Bankers Association, U.S. League of Savings Institutions, American Bankers Association and National Association of Mutual Savings Banks, meets two or three times a year to discuss common problems and objectives.

The roundtable has made several pronouncements so far, mostly on financing issues. It has discussed items of chief interest to home builders—such as zoning and building codes—only as they apply to deregulation, believing, according to Edwards, that such issues are best left to local authorities.

"We concluded that we could give leadership in the financing arena," Edwards added. "Housing will live or die on financing issues."

The roundtable has come out against mortgage foreclosure relief, maintaining it would force many lenders out of the mortgage business; supported standard mortgage pre-payment penalties to provide a reasonable measure of protection to investors; and called for a compromise on the due-on-sale question.

Late last month the group met in California to hammer out a reduced menu of standardized mortgage instruments that will meet the requirements of borrowers, lenders and investors and "encourage stability in the housing sector." Cutting down the "excessive proliferation" of mortgages, said Edwards, "is getting the greatest part of our effort right now."

In addition to Edwards and Poretsky, members of the Housing Roundtable are former Michigan Congressman Garry Brown, now a Washington attorney; John Creighton, Jr., of the Weyerhaeuser Co.; Glenn Kummer of Fleetwood Enterprises; E.B. Madded of Guerdon Industries; Richard J. Loughlin of Century 21; attorney William McKenna, who chaired the President's Commission on Housing; Anthony Frank of First Nationwide Savings & Loan, San Francisco; James Montgomery of Great Western Financial, Los Angeles; Leland Prussia of the Bank of America; James Richmond of Aetna Life and Casualty; C.C. Cameron of First Union Corp., Charlotte; Robert F. Dall of Salomon Brothers securities brokers; former Mortgage Bankers Association president Claude Pope, now president of AMIC mortgage insurance company; Blake Eagle of the Frank Russell Co., Seattle; Paul O'Brien of Security Pacific National Bank, Los Angeles; and economist Maurice Mann of A.G. Becker Paribas, Inc., San Francisco.

Lew Sichelman, a syndicated housing columnist

SALES

CALIFORNIA TOPS IN RESALE PRICES

California is at the head of the class. In a recent National Association of Realtors' 31-city survey, three California cities ranked highest in median single-family home resale prices for the second quarter of this year.

In first place was San Francisco, where the median resale price was $128,600; second place went to San Jose, with $126,800; and third to Los Angeles, with $112,700. (See accompanying table.)

RESALE PRICES IN 23 CITIES

Metropolitan area	Median price (in thousands of $)	Percent change
San Francisco	128.6	3.8
San Jose	126.8	3.6
Los Angeles	112.7	-2.5
San Diego	99.6	-.8
Washington, D.C.	89.7	1.5
New York	86.7	18.1
Houston	80.3	5.0
Boston	80.1	-1.0
Chicago	78.8	9.7
Denver	78.2	2.8
Dallas	77.4	.8
Fort Lauderdale	74.5	.8
Minneapolis	74.3	1.5
San Antonio	68.6	19.1
Oklahoma City	60.8	5.0
Kansas City	59.9	1.5
Philadelphia	59.4	-.5
St. Louis	59.2	3.3
Atlanta	58.4	5.8
Tampa	55.2	2.0
Providence	53.7	10.3
Albany	48.5	1.3
Detroit	48.3	.8

The nationwide median resale price was $70,100. San Antonio, where the median price was $68,600, was closest to average. Last place was held down by Detroit where the median price was $48,300.

Nationally, second quarter prices were only 2.9 percent ahead of the corresponding 1982 quarter. Several cities, however, logged in big increases. In San Antonio prices increased by 19.1 percent, New York by 18.1 percent and Providence, R.I., by 10.3 percent. Who brought the national average down? Boston, Los Angeles, Philadelphia and San Diego all recorded price decreases.—P.L.

LEGISLATION

TWO-YEAR PROPERTY TAX EXEMPTION HELPS NORTH DAKOTA BUILDERS

In an unusual effort to stimulate housing production and revive the state's economy, the North Dakota legislature has passed a bill authorizing municipalities to exempt new homeowners from personal property taxes for two years.

Since the measure was passed this spring, four municipalities have approved resolutions granting the exemption; however, several others have refused to do so, saying it would deprive them of needed tax revenue.

The legislation "encouraged builders in some areas to go ahead and start building," said Valerie Kirk, executive officer of the North Dakota Association of Builders, which lobbied for the measure. "Other areas didn't want to pass it because their housing production already was strong."

In supporting the exemption, the association argued that a revival of both the housing industry and the economy would more than make up for any temporary loss of tax revenue, Kirk added.

The exemption applies to homes permitted or started between April 1, 1983 and January 1, 1985.